BlueSnap®

The Definitive Guide to Optimizing Global Payments

Everything You Need to Know to Take Advantage of the Cross-Border Opportunity

Introduction

The world of eCommerce is a competitive and crowded space.

Merchants must employ a number of different strategies to attract new customers and solicit repeat business. Today, thanks to a number of factors including advances in technology, relaxed import rules in places like China, and advancements in secure payment methods in countries like India, cross-border eCommerce is bringing in more and more revenue each year. Currently, the cross-border eCommerce opportunity is roughly $300 billion. And that number seems likely to increase as big players, think Jeff Bezos of Amazon and Jack Ma of Alibaba, push to remove trade barriers around the world. The Wall Street Journal made the following observation in a recent article, "The Race to Universal 'One Click' Shopping:"

"It is early days in the journey toward digital free trade, but it behooves all parties — merchants, e-commerce platforms and the international community — to think about the architecture necessary to allow people from every nation and every walk of life to participate in the digital economy. Mr. Bezos can focus on markets, Mr. Ma on systems. The winners will be consumers in developing markets and the forward-thinking brands."
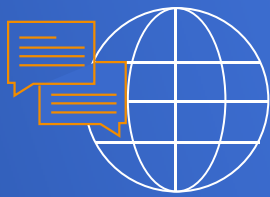
So, while it may be the larger merchants such as Target, Walmart, Amazon, and Alibaba that are currently catering to international customers, the opportunity exists for merchants large and small to enter the global marketplace. In fact, for merchants who wish to compete and prepare for the future of eCommerce, implementing a global platform is no longer an option, but a necessity. This eBook will guide you through the important considerations when implementing a global payment system and offer tips on how to optimize your eCommerce site to attract and retain international shoppers. This guide was designed to help you capitalize on the $300 billion eCommerce opportunity.

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Creating a Local Checkout Experience That Converts

When optimizing your website for international markets, it is crucial to offer a localized experience.

This means considering currency and language for each country you're selling in. According to the X-Border Payments Optimization Index, which tracks the state of global eCommerce across borders, there are three factors that are most important in predicting success.

The most successful websites:

✔ Are accessible in at least six languages

✔ Accept at least six global currencies

✔ Offer at least four global payment methods

The first factor, though it might sound obvious, is a critical first step in optimizing your site for an international audience. If you are a smaller merchant or don't have the in-house development resources to add multiple languages to your site, consider a payment processor that offers hosted pages. With hosted pages you will be up and running in multiple languages in no time. Just make sure you pick a payment processor that offers at the very least, six language options, preferably many more.

Currency can get a little trickier. There are presentment currencies, settlement currencies and local pricing. Let's go over each.

Presentment Currencies

Local currency is the currency used in the shopper's home country to make everyday purchases. The industry refers to this as the presentment currency — the currency you "present" to your customers on your website. If you are not displaying the appropriate currency to your customers, you are causing friction in the checkout process and are likely losing a large number of potential sales. If you are only pricing in USD, for example, chances are people in the UK are leaving your site and purchasing the product from another site that offers product price information in their own currency. Even worse, chances are that you have now lost that customer for life.

If you are fortunate enough to have a customer attempt to make a purchase on your eCommerce site not using their local currency, you face another obstacle — payment conversions. Have you ever had a transaction declined by your issuer because they suspected fraud? Issuers know your shopping patterns and when something doesn't fit the norm — fraud detection kicks into high gear. So when a purchase is made in a foreign currency, you better believe those fraud sirens are going to start ringing.

And finally, pricing in the local currency means your customer is not paying currency conversion fees that might be charged by their issuing bank.

Local Pricing and Settlement Currency

Now let's talk about local pricing. So you're now pricing in the local currency — that's great. But is your price in the local currency left to the mercy of the foreign exchnage (FX) rate you are using? You also need to consider whether your goods and services are priced competitively in any and all countries where you are trying to sell them. You may want to set a price in the local currency rather than leaving the price to be randomly set by your FX rate.

Once you have your shoppers paying in the right currency, you have to decide how you want to be paid. If you are accepting payments from shoppers in USD, CAD, and EUR do you want to be paid out in these same currencies? The currency you select to be paid in is called the settlement currency. If you are an international business with international operations that requires operating funds, make sure your processor can settle in different currencies. Otherwise you are probably incurring FX fees from the processor to convert the funds back to a single settlement currency.

In the next section we will talk about payment types.
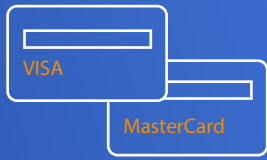
Maximize Global ROI by Accepting These Payment Types

If you are a merchant looking to go global you need to consider which payment methods to accept.

While Visa and MasterCard may be the prominent players in the US market, that is not the case for most of the globe. For example, in China, the largest eCommerce market in the world, Alipay, UnionPay, and Tenpay are the most commonly used forms of payment. If you are trying to penetrate the Chinese market and don't accept the most prominent payment types, your chance of success is going to be low. By looking at the numbers to see which markets are worth targeting you can determine which payment types you should be accepting. The index on the following page shows the top thirty countries for eCommerce and the chart underneath displays the top three payment methods in each of the top ten countries, with the addition of India. India, though it does not appear in the index, is poised to experience significant growth in the coming years. According to *The Economist*:

> "In the next 15 years India will see more people come online than any other country. Last year e-commerce sales were about $16 billion; by 2020, according to Morgan Stanley, a bank, the online retail market could be more than seven times larger. Such sales are expected to grow faster in India than in any other market. This has attracted a flood of investment in e-commerce firms, the impact of which may go far beyond just displacing offline retail."

The 2015 Global Retail E-Commerce Index™

Rank	Country	Online Market Attractiveness Score
1	United States	79.3
2	China	77.8
3	United Kingdom	74.4
4	Japan	70.1
5	Germany	66.6
6	France	59.3
7	South Korea	58.9
8	Russia	48.7
9	Belgium	45.6
10	Australia	43.6
11	Canada	43.1
12	Hong Kong	42.2
13	Netherlands	41.8
14	Singapore	41.5
15	Denmark	41.4
16	Sweden	40.9
17	Mexico	40.0
18	Spain	39.9
19	Chile	39.9
20	Norway	39.5
21	Brazil	39.4
22	Italy	38.9
23	Switzerland	38.8
24	Venezuela	38.5
25	Finland	38.4
26	New Zealand	38.2
27	Austria	38.1
28	Saudi Arabia	38.1
29	Argentina	38.0
30	Ireland	37.2

Country		Top 3 Payment Methods
	United States	Visa, MasterCard, American Express
	China	Alipay, Union Pay, Tenpay
	United Kingdom	Visa, Mastercard, PayPal
	Japan	Visa, Mastercard, Konbini
	Germany	SEPA direct debit, Giropay, Open invoice
	France	Cartes Bancaires, Visa, MasterCard
	South Korea	Visa, Mastercard, Bank Transfer
	Russia	Visa, Qiwi, Yandex
	Belgium	Bancontact, Visa, MasterCard
	Australia	Visa, Mastercard, American Express
	India	Cash, Visa, MasterCard

Source: https://www.atkearney.com/home

Understanding consumer buying habits and preferences and how they differ based on geography is important for any merchant looking to sell cross border. In addition to familiarizing yourself with the preferred payment types in each country, it is also helpful to research consumer payment habits. For example, in Brazil, although credit cards are the preferred payment type, 80% of online transactions are made through installments. And in Mexico, 40% of online transactions are made through printable vouchers.

Why Intelligent Payment Routing is the Future of eCommerce

Intelligent Payment Routing is essentially a connection to multiple banks all over the world.

This connectin helps you process transactions more successfully by detecting where the shopper's credit card is from and processing it through a bank that is authorized in that country or region. This strategy can increase transaction success rates by up to 17% and is especially beneficial when selling in international markets.

Traditionally, payment providers have either been connected to one acquiring bank in a region or have required merchants to obtain their own acquiring merchant account in each region. Not only is this strategy cumbersome, it also creates a high number of false declines. With Intelligent Payment Routing on the other hand, transactions are sent to the bank where they are most likely to clear based on factors such as: merchant location, shopper location, and currency.

Here's an example of how that might work. Say a French shopper is trying to buy a baseball from your American site. In an ordinary situation, this transaction will go through an American bank and confuse the French credit card company, leading to a possible decline. With Intelligent Payment Routing, the credit card information will get sent to a local French bank (one the credit card company recognizes and trust) where it has the highest likelihood of being approved.

If a transaction is declined at the first acquiring bank, the payment processor who is utilizing Intelligent Payment Routing should be able to resroute that transaction to a second acquiring bank, further increasing the chances that the transaction will be accepted. This process, known as failover, can increase conversions an additional 3%.

Eliminate Fraud *and* Checkout Friction

eCommerce merchants have to balance growth and risk.

To maximize growth, it's important to streamline your checkout process and eliminate as much friction as possible. Friction includes all the things that get in the way of a smooth checkout process, such as too many steps or fields in the payment process, not enough payment types, or missing security badges, just to name a few.

So while it is important to implement a frictionless checkout, one that is implemented carelessly will make your site an easy target for fraud. Lost merchandise and chargeback fees will quickly erode the sales benefit of frictionless checkout. Conversely, fraud detection tools help minimize chargebacks, but they can also reduce your conversion rates. Merchants should look for fraud detection tools that are as frictionless as their checkout flow and partner with a payment gateway that goes above and beyond when it comes to security. The best payment gateways offer robust fraud protection to keep your site legitimate, and to keep your customers' information safe. You want to make sure that your fraud rules are not too aggressive and won't get in the way of your customer experience.

Let's look at a use case. Say you are a merchant in the gaming industry. Your game requires customers to buy tokens at a rapid rate to advance within the game. Most anti-fraud rules would immediately flag this rapid transaction rate as fraud, shutting down the play of the game and frustrating your customer. With a more robust fraud provider, you can configure fraud rules that match your business model to keep your business protected and your customers happy. After all, there's nothing worse than unlocking a new level and getting kicked out of the game because your credit card has been declined.

Symptoms of Fraud

Fraud can often go undetected, which is a huge problem for your business and your customers. Here are a few red flags that may signal you have a fraud problem.

Chargeback rate above .5% or 50 basis points	Return rate higher than 1%	Rejection rate higher than 1%
Abandonment after submitted transaction	High affiliate turnover	Manual reviews above 10%

Three Attributes That Make for a Frictionless Fraud Solution

If you are looking to implement a frictionless fraud solution, consider these three important attributes.

1. Speed

Fraud detection platforms should be fast. It should take well under one second to determine if the order is fraudulent. Remember, customers expect to see a confirmation page immediately after they click submit. The longer they have to wait while you assess the likelihood of fraud, the more likely they are to click submit a second time, refresh the page, click the back button, or close the browser — all of which could prevent a transaction from being processed.

2. Accuracy

When your goal is to minimize fraud, it's easy to slip into the mindset where everything looks suspicious. In reality, most orders are legitimate. And you're not going to hit all of your growth milestones by turning away your largest orders. Fraud rules should be continually reviewed to assess their impact and accuracy. Strive for a false positive rate under 5%, but don't stop there. Start by eliminating the rules that don't trigger often and have a high false positive rate. Then, review the ones that remain to look for ways to reduce the false positives without letting more fraud through.

3. Discretion

There are a lot fraud detection tools out there. When choosing which ones to implement, it's important to consider a tool's effectiveness as well as its shopper impact. Shopper verification tools that redirect the shopper's browser or require a new password often increase shopper abandonment, which detracts from their usefulness. The best fraud tools have no shopper impact. They gather all the relevant information as a shopper browses your website or completes the checkout form, then analyzes it without the shopper even knowing it. The analysis is both unobtrusive for legitimate customers and concealed from fraudsters.

It's possible to have a frictionless checkout and powerful fraud detection. And when the two are combined the results can be amazing. Frictionless checkout means higher conversion rates, more customers, higher order velocity and increased sales; while a frictionless fraud detection platform will decrease chargebacks, minimize lost merchandise and also increase sales by lowering false positives.
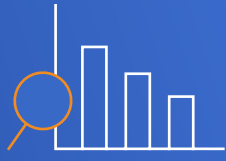
Six Essential Measurements For Cross Border Success

To help you analyze your eCommerce business with a critical eye toward continued growth, you should track data such as:

✓ **Subscriptions**
Subscriptions are a great source of recurring revenue. Additionally, in certain areas of the world such as Brazil, consumers prefer to pay in installments which would translate perfectly into a subscription billing model.

✓ **Conversion rates**
Only about 10% of merchants are tracking their conversions! Without knowing where you are successful, how are you going to know where you need to ramp up your efforts?

✓ **Payment declines**
Are your payment decline rates increasing or decreasing? When expanding into international markets, payment decline rates can signal a need to readjust or to more closely examine your data to determine the exact causes.

✓ **Shopper locales**
Where are your shoppers coming from? Can you fine-tune your site even more to cater to these customers? Understanding your audience is one of the basic rules of business, so knowing where your international shoppers are coming from and what their preferences are will help you move forward with continued growth.

✓ **Currency and payment methods**
Is your checkout page set up correctly to capture the shopper's currency? Are your price points influencing your conversions? Are you offering the correct payment methods?

✓ **Repeat customers and new segments**
Are you getting more repeat customers and perhaps attracting a new segment of buyers, such as corporate buyers? These are both signs of a growing business.

Of course, revenue and total transactions should be tracked, but it probably goes without saying that most merchants are already tracking these two significant metrics. If your revenue is increasing and total transactions are going up, you are likely on the right track with your global sales.

In summary, when you are embarking on your cross-border journey or looking for ways to optimize your already global enterprise, remember these key points:

- Frictionless checkout means higher conversion rates, more customers, higher order velocity and increased sales; while a frictionless fraud detection platform will decrease chargebacks, minimize lost merchandise and also increase sales by lowering false positives. So take the time to ensure your fraud protection is strong and your checkout is seamless.

- Intelligent payment routing is essential for merchants who wish to truly optimize cross border sales and can increase transaction success rates by up to 17%

- Measurement is key to any successful business, especially if you are a merchant in the growth phase. Keep track of key metrics to learn what's working and what's not.

- Consumer buying habits and payment preferences differ based on geography. Make sure you are able to accept the preferred payment methods in the regions you wish to sell.

- Make sure your checkout page is optimized for the local consumer. That means pricing and language are local to each shopper's region.

Hopefully these tips and strategies will help you take advantage of the $300 billion eCommerce cross-border opportunity and reach new markets.

For more advice on how to optimize your eCommerce site for a global audience, contact us! At BlueSnap we are a global payments company that helps merchants like you convert more shoppers into buyers. Contact us to speak with a global conversion consultant today.

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Contact a Global Conversion Consultant